1998-018-4

AIA
AEROSPACE INDUSTRIES ASSOCIATION

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October 16, 2001

General Services Administration
Attn: Ms. Laurie Duarte
FAR Secretariat (MVP)
1800 F Street, NW
Room 4035
Washington, DC 20405

Re: Proposed FAR Amendment: Trademarks for Government Products, 66 Fed. Reg. 42102 (August 9, 2001); FAR Case 1998-018

Dear Ms. Duarte:

The following comments are being submitted on behalf of the Aerospace Industries Association of America, Inc. ("AIA"). Since 1919, the AIA has represented the nation's major manufacturers of commercial, military and business aircraft, helicopters, aircraft engines, missiles, spacecraft, materials, and related components and equipment. The AIA currently represents 67 member companies and 125 associate member companies throughout the United States and the aerospace industry.

The AIA strongly urges the FAR Council to reconsider the proposed rule as drafted and instead institute a compulsory licensing scheme to accomplish the goals of the federal Government and its contractors, as discussed in more detail below.

I. Summary of Proposed FAR Amendments:

The proposed rule would amend the Federal Acquisition Regulation (FAR) by adding a provision and clause to FAR Subpart 27.X and FAR 52.227-XX, respectively. These amendments would 1) create a new type of legal property called a "Government-unique Mark" and 2) would enable a contracting government officer to include a clause into contracts that has the effect of depriving a contractor of the ability to assert any rights in such Government-unique Marks without first seeking Government consent. The contractor is required to provide 120-day prior notice of any intent to assert either a trademark or servicemark right in conjunction with a Government-unique Mark.

II. Comments:

1. Trademarks and servicemarks identify a source of goods and services. By giving the Government the prerogative to assert rights in Government-unique Marks, the proposed rule would permit the Government to identify itself as the source of goods or services actually developed, produced, or rendered by contractors. This action would effect a regulatory taking -- taking from contractors intangible property that is owned by the contractor pursuant to common law and under federal trademark statutes. It also generally would not grant anything of value to the Government, because the Government will not accrue any trademark rights to assert until it later becomes the source of goods or services, if ever. In the infrequent circumstances when the federal Government is the source of goods or services, such as when goods or services are developed, produced, or rendered by federal laboratories, the federal Government agency would appropriately assert rights in marks. Rights in trademarks and servicemarks are always derived from the goodwill of the source of goods and services associated with the mark, and so the Government cannot

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receive rights as a result of the proposed rule unless it actually generates such goodwill by becoming a source of goods or services.

2. With respect to the types of aerospace products and services that are developed, produced, and rendered by AIA member companies, it is well established that the Government does not own the means of production and should not own the goodwill generated when the contractors' means of production are put into use. The proposed rule contravenes the Trademark Act, 15 U.S.C. Section 1051 et seq., to the extent that it purports to grant the Government the right to claim ownership to a mark, even though such mark identifies a source of goods or services that is not the Government. A regulation cannot supersede a statute in this manner.

3. This proposed rule would have a profound and detrimental impact upon the aerospace industry. In these days of shrinking government R&D budgets, the government and commercial sectors of the aviation and space industries are closely linked. Any regulation drafted to cover the government side of the business inherently impacts the commercial side. The proposed rule may cause some companies to abandon the Government side of their businesses if they are unwilling to risk confusion of their marks and a compromise of their goodwill simply to conduct business with Government entities.

4. If contractors are not permitted to assert rights in marks associated with their products and services, the contractors will be deprived of any power to prevent others from marketing products under marks that are confusingly similar and/or non-distinct from those used by the original manufacturer. While the Government may have the ability to assert its rights in the mark, this provides no comfort to the shareholders of the companies that expect clear title to the marks and the resulting revenue stream from licensing. Effective Government enforcement also presupposes that the Government has accrued trademark or servicemark rights by becoming a source of goods or services pursuant to the mark to be enforced. The Government cannot be given a government contractor's rights pursuant to the Lanham Act, and so cannot base its enforcement efforts upon anything other than its own rights or non-trademark statutes, such as the food and drug laws.

5. Among United States firms, aerospace companies, in particular, devote extraordinary resources to ensure the quality and safety of their products. It is only reasonable that these companies be able to capitalize upon the goodwill and brand equity that results from these investments. If contractors' ownership of the marks associated with the goods and services they produce is called into question as a result of the proposed rule, they will experience a substantial loss of revenue from the sale of derivative products (i.e. toys, software, and clothing) associated with the goods or services. The AIA doubts this was the intent of the FAR Council in drafting the proposed rule, but this is the likely result.

6. Because Congress waived sovereign immunity and permitted trademark infringement and dilution liability suits to be filed against the United States and parties acting on its behalf in the Trademark Amendments Act of 1999, Pub.L. 106-43, new issues may arise and some FAR guidance is appropriate. However, a more appropriate action would be to negotiate the ownership and use of trademarks on a case-by-case basis. Requiring only contractors to seek permission to use and/or register marks and wait for a response is a far-reaching and overly broad approach. This process will not insulate the federal Government from infringement claims by non-government contractor entities -- or even by government contractors, in the event the Government permits contractors to assert rights in Government-unique Marks. Only a negotiation of a suitable license will insulate the Government from contractor infringement suits under such circumstances. The 120-day notice-and-approval process also will not prevent third parties from engaging in offensive or disparaging uses of marks associated with government contract products or services.

III. Recommendation:

The impact that this proposed rule would have upon the aerospace industry is overwhelming, and the AIA recommends that it not be adopted. The concerns of the Government about infringement claims and offensive or disparaging use of marks that are associated with products developed or manufactured by contractors, or associated with services rendered by contractors, can be addressed under a compulsory licensing scheme similar to patent licenses granted to the Government for Subject Inventions. AIA companies are prepared to grant the federal Government a paid-up, royalty-free license to use marks for their products developed or manufactured or their

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services rendered during performance of government contracts for Government purposes. The AIA companies also are prepared to police their marks to ensure that they are not used in a manner that is offensive or disparaging to either the company holding the mark or the federal Government.

Objections the Government may have to a contractor registering a mark for a good or service for which the Government believes itself to be the source can be addressed under the opposition procedures already in place in the U.S. Patent and Trademark Office.

IV. Conclusion:

The member companies of the AIA feel that the above-described compulsory licensing approach will accomplish more of the federal Government's goals than the administratively burdensome 120-day notice-and-approval process proposed. The licensing approach also will foster more cooperation, and is consistent with the initiatives made throughout the federal Government to attract and keep quality companies in the government sector. For those reasons, the proposed rule should not be adopted.

Sincerely,

Robert T. Marlow
Vice President, Government Division